Company Registration No. 5003339

REGISTRAR OF COMPANIES

TRACSCARE GROUP LIMITED

Report and Consolidated Financial Statements

31 March 2008

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E A Millard
S G Hullin
V Owen
C Conway
A Hayden (non-executive)

SECRETARY

MH Secretaries Limited

REGISTERED OFFICE

Staple Court
11 Staple Inn Buildings
London
WC1V 7QH

BANKERS

The Royal Bank of Scotland

SOLICITORS

Marriott Harrison
11 Staple Inn Buildings
London
WC1V 7QH

AUDITORS

Deloitte LLP
Cardiff

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company continues to be ownership of investments in subsidiary companies involved in the provision of residential care homes.

The principal activity of the group is the provision and operation of residential care homes.

As shown in the group's profit and loss account on page 7, its turnover has increased by 14% (2007 - 36%) over the prior year. This growth can be attributed to increased occupancy and the purchase of new homes in the year.

The group's key measurement of the performance of its operations is operating profit margin, after deducting cost of sales and administrative expenses, which has increased from 7% in 2007 to 10% in 2008.

The consolidated balance sheet on page 8 shows the group's financial position at the year-end. Its net cash levels are £219,094 at the end of the current year, compared with £1,082,056 at the end of the prior year.

During the year, the group has spent £1,473,815 on freehold properties (2007 - £2,752,744).

There have been no significant events since the balance sheet date, other than as disclosed within note 8.

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net liability position on the balance sheet at 31 March 2008 and have concluded that it was appropriate. More information is provided in note 1 of the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The group operates in a competitive market, with independent operators accounting for the large majority of specialist care provision, and there is a continuing risk to the group companies of losing contracts to key competitors. Whilst the group enjoys preferred provider status with a small number of purchasing authorities, all of its business is on a 'spot purchase' basis from a broad geographical spread of purchasers. This provides the group with some protection against a change in purchasing pattern by any one purchaser.

The group companies manage this risk by providing the highest standard of comprehensive care within the residential care homes and maintaining strong relationships with residents and local authorities.

The group has built a strong reputation for the high level of its care provision. Providing services for high/complex needs clients and clients with challenging behaviour further supports the climate for the growth of quality operators in the sector.

Interest rate risk

Tracscare Group Limited is financed by long-term bank loans and therefore is exposed to adverse movements on interest rates. The group use derivative financial instruments to hedge these exposures, as disclosed in note 22.

Credit risk

The group's principal financial assets are bank balances and cash, trade and other debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long-term and short-term debt finance from its bank and from its private equity investor. The long term debt from its bank is committed for a period of 7 to 8 years, and is subject to the group passing certain covenant tests. The finance from its private equity investor is committed to at least 2 years, and there are no covenant tests to meet. The group also utilises an overdraft facility from time to time and this facility is due for renewal in April 2009.

DIRECTORS' REPORT (continued)

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

FUTURE DEVELOPMENTS

The group continues to pursue further investment opportunities and related businesses, and seeks to extend its existing business.

TRADING RESULTS

The group's pre-tax loss for the year was £1,603,072 (2007 - £2,942,161). After taxation, the loss for the year was £1,866,033 (2007 - £2,857,386).

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2007 - £nil).

DIRECTORS

The directors of the company, who served throughout the financial year, are as shown on page 1. D S Dalli resigned as a director on 28 November 2008. I M Williams passed away on 23 June 2008.

EMPLOYMENT OF DISABLED PERSONS

It is established company policy to offer the same opportunities to disabled people as to all others in matters of recruitment and career advancement, provided they have the abilities to perform the tasks required, with or without training, and to provide retraining where necessary in cases where disability occurs during employment with the company.

EMPLOYEE INVOLVEMENT

It is company policy to ensure that employees are provided with information on all matters of concern to them. Accordingly, appropriate steps are taken to ensure that employees or their representatives are aware of the financial economic factors affecting the company's performance, are consulted wherever necessary and are encouraged generally to be involved in the company's overall performance.

DIRECTORS' REPORT (continued)

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

V Owen

V Owen
Director

Date 23/12/07

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRACSCARE GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Tracscare Group Limited for the year ended 31 March 2008 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2008 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

Date 25 February 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2008

	Note	2008 £	2007 £
TURNOVER	1	16,104,262	14,155,157
Cost of sales		(8,541,148)	(7,620,319)
Gross profit		7,563,114	6,534,838
Administrative expenses		(5,960,568)	(5,593,588)
OPERATING PROFIT	3	1,602,546	941,250
Interest receivable and similar income		200,377	16,840
Interest payable and similar charges	4	(3,405,995)	(3,900,251)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,603,072)	(2,942,161)
Tax (charge)/credit on loss on ordinary activities	5	(262,961)	84,775
LOSS FOR THE FINANCIAL YEAR	14	(1,866,033)	(2,857,386)

All activities derive from continuing operations.

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented.

CONSOLIDATED BALANCE SHEET
As at 31 March 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets	6	15,017,429	16,528,127
Tangible assets	7	12,959,051	11,618,109
		27,976,480	28,146,236
CURRENT ASSETS			
Debtors	9	910,028	1,557,076
Cash at bank and in hand		219,094	1,082,056
		1,129,122	2,639,132
CREDITORS: amounts falling due within one year	10	(3,298,554)	(2,537,862)
NET CURRENT (LIABILITIES)/ASSETS		(2,169,432)	101,270
TOTAL ASSETS LESS CURRENT LIABILITIES		25,807,048	28,247,506
CREDITORS: amounts falling due after more than one year	11	(34,069,915)	(34,644,340)
NET LIABILITIES		(8,262,867)	(6,396,834)
CAPITAL AND RESERVES			
Called up share capital	13	1,146	1,146
Share premium account	14	315,103	315,103
Profit and loss account	14	(8,579,116)	(6,713,083)
SHAREHOLDERS' DEFICIT	15	(8,262,867)	(6,396,834)

These financial statements were approved by the Board of Directors on 23/2/09.
Signed on behalf of the Board of Directors

V. Owen

V Owen
Director

COMPANY BALANCE SHEET
As at 31 March 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	7	2,488,566	2,455,863
Investments	8	23,394,896	22,554,896
		25,883,462	25,010,759
CURRENT ASSETS			
Debtors – due within one year	9	42,757	1,102,498
Debtors – after more than one year	9	2,859,640	7,110,193
Cash at bank and in hand		38	18,288
		2,902,435	8,230,979
CREDITORS: amounts falling due within one year	10	(1,939,086)	(974,187)
NET CURRENT ASSETS		963,349	7,256,792
TOTAL ASSETS LESS CURRENT LIABILITIES		26,846,811	32,267,551
CREDITORS: amounts falling due after more than one year	11	(34,058,037)	(34,626,651)
NET LIABILITIES		(7,211,226)	(2,359,100)
CAPITAL AND RESERVES			
Called up share capital	13	1,146	1,146
Share premium account	14	315,103	315,103
Profit and loss account	14	(7,527,475)	(2,675,349)
SHAREHOLDERS' DEFICIT	15	(7,211,226)	(2,359,100)

These financial statements were approved by the Board of Directors on 23/2/09
Signed on behalf of the Board of Directors

V. Owen

V Owen
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2008

	Note	£	2008 £	£	2007 £
Net cash inflow from operating activities	17		4,403,955		3,382,939
Returns on investments and servicing of finance					
Interest received		200,377		16,840	
Interest paid		(3,164,084)		(3,289,875)	
Net cash outflow in respect of returns on investments and servicing of finance			(2,963,707)		(3,273,035)
Taxation					
UK corporation tax received/(paid)			27,033		(114,536)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(1,807,661)		(3,091,735)	
Receipts from sale of fixed assets		13,562		12,035	
Net cash outflow from capital expenditure and financial investment			(1,794,099)		(3,079,700)
Acquisitions and disposals					
Payments to acquire subsidiary undertaking		-		(920,879)	
Net overdrafts acquired with subsidiary undertakings		-		(19,741)	
Repayment of deferred consideration		-		(1,532,181)	
Net cash outflow from acquisitions and disposals			-		(2,472,801)
Net cash outflow before financing			(326,818)		(5,557,133)
Financing					
Issue of ordinary share capital		-		14,581	
Net redemption of loan notes		(4,559,566)		(2,019,790)	
Net movement on bank loans		4,017,502		8,718,666	
Finance leases repaid		(16,490)		(23,353)	
Net cash (outflow)/inflow from financing			(558,554)		6,690,104
(Decrease)/increase in cash in the year	18,19		(885,372)		1,132,971

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern basis

The group has recorded a loss for the year and both the group and company have net liabilities at 31 March 2008. The directors have assessed the balance sheet and likely future cash flows of the company and group at the date of approving the financial statements and note that the group will need to make use of an overdraft facility which falls due for renewal in April 2009. The directors have considered this uncertainty and have a reasonable expectation that the facility will be renewed on the basis that the group continues to trade within existing loan covenants and there has been no indication from the bank that the renewal will not be approved. In addition, the group has also received a letter of support from Sovereign Capital Partners LLP, which states their intent to provide financial support.

After making such enquiries, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Acquisitions and disposals

On the acquisition of a business including an interest in an associated undertaking, fair values are attributable to the gross share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

Goodwill and intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is ten years. Provision is made for any impairment.

Turnover

Turnover, which arises entirely in the United Kingdom, is the amount derived from the provision of goods and services which fall within the group's ordinary activities.

Revenue recognition

Revenue is recognised when earned on an even basis throughout the period of occupancy.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, in equal instalments over their useful economic lives. The following rates are applied:

Freehold land and buildings	-	2% per annum on cost
Leasehold property and improvements	-	4% per annum on cost
Plant and machinery	-	20% reducing balance
Fixtures, fittings and equipment	-	20% reducing balance
Motor vehicles	-	25% reducing balance

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Loan notes

Loan notes issued by the company are recorded as liabilities, net of direct issue costs.

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes and does not apply the hedge accounting principle.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Assets held under finance lease and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

1. **ACCOUNTING POLICIES (continued)**

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the profit and loss account.

2. **INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	The Group 2008 No.	The Company 2008 No.	The Group 2007 No.	The Company 2007 No.
Average number of persons employed (including directors)				
Administration and management	608	3	569	3
	£	£	£	£
Employee costs (including directors)				
Wages and salaries	7,900,357	293,417	7,344,579	291,270
Social security costs	657,220	34,768	611,350	34,542
Other pension costs	25,081	24,000	30,082	24,000
	8,582,658	352,185	7,986,011	349,812

Company staff costs during the current and prior year consist only of the directors' emoluments disclosed below.

	£	£	£	£
Directors' remuneration				
Emoluments	293,417	293,417	291,270	291,270
Pension scheme contributions	24,000	24,000	24,000	24,000
	317,417	317,417	315,270	315,270
Highest paid director				
Emoluments	128,000	128,000	128,000	128,000
Pension scheme contributions	12,000	12,000	12,000	12,000
	140,000	140,000	140,000	140,000

Three of the directors (2007 – three) are members of the company defined contribution pension scheme and accrued benefits during the current and the prior financial year under that scheme.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

3. OPERATING PROFIT

		2008	2007
		£	£
This is stated after charging			
Amortisation of goodwill		2,350,698	2,277,841
Depreciation of tangible fixed assets	- owned assets	439,254	376,129
	- leased assets	7,016	4,919
Operating leases	- plant and equipment	6,443	1,217
	- other	169,690	208,817
Auditors' remuneration	- group	37,019	29,000
	- company	4,935	5,000
	- subsidiaries	32,084	24,000
	- tax compliance services (group)	24,984	27,850
	- tax compliance services (group)	12,000	-
Loss on disposal of tangible fixed assets		6,887	7,160
Exceptional legal fees incurred on settlement of deferred consideration reduction relating to acquisition of Tracs Limited (see note 8)		85,640	-
Exceptional legal fees incurred on settlement of additional deferred consideration relating to acquisition of Honeybrook House (Kidderminster) Limited and Bethany Lodge (Worcester) Limited (see note 8)		29,357	-

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
Interest on bank loans, overdraft and loan notes	3,164,084	3,201,548
Hire purchase interest	2,871	4,640
Amortisation of deferred finance costs	239,040	551,791
Unwinding of the discount on provisions	-	142,272
	3,405,995	3,900,251

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2008 £	2007 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2007 – 30%)	-	-
Prior year adjustment	(262,961)	58,075
Total current tax	(262,961)	58,075
Deferred taxation		
Origination and reversal of timing differences	-	26,700
	(262,961)	84,775

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	£	£
Loss on ordinary activities before tax	(1,603,072)	(2,942,161)
Tax on loss on ordinary activities before tax at 30% (2007 – 30%)	480,922	882,648
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(96,676)	(67,412)
(Depreciation in excess of capital allowances)/capital allowances for in excess of depreciation	(40,902)	14,264
Unutilised tax losses	-	(242,035)
Goodwill on consolidation	(608,056)	(586,199)
Losses transferred under s343	-	(1,266)
Prior year adjustment	-	58,075
Utilisation of tax losses	1,916	-
Movement in short term timing differences	(165)	-
Current tax (charge)/credit for the year	(262,961)	58,075

The forthcoming reduction in the corporation tax rate to 28% is not expected to materially affect the tax charge.

A deferred tax asset has not been recognised in respect of timing differences relating to the tax written down value of assets qualifying for capital allowances being in excess of their net book value, as there is insufficient evidence that the asset will be able to be utilised in future periods. The amount of the asset not recognised is approximately £232,000 (2007 - £323,577).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

6. INTANGIBLE FIXED ASSETS

The Group	Goodwill £
Cost	
At 1 April 2007	22,778,451
Additions	1,100,000
Disposals	(260,000)
At 31 March 2008	23,618,451
Amortisation	
At 1 April 2007	6,250,324
Charge for the year	2,350,698
At 31 March 2008	8,601,022
Net book value	
At 31 March 2008	15,017,429
At 31 March 2007	16,528,127

Detail in relation to additions and disposal of goodwill are included in note 8.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

7. TANGIBLE FIXED ASSETS

The Group	Freehold land and buildings £	Leasehold property and improve-ments £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost						
At 1 April 2007	11,139,591	233,662	86,970	506,545	301,543	12,268,311
Additions	1,473,815	35,355	67,667	102,953	127,871	1,807,661
Disposals	-	-	(544)	(1,500)	(34,199)	(36,243)
At 31 March 2008	12,613,406	269,017	154,093	607,998	395,215	14,039,729
Depreciation						
At 1 April 2007	415,289	15,270	29,860	115,349	74,434	650,202
Charge for the year	256,093	10,498	14,939	88,799	75,941	446,270
Disposals	-	-	-	(540)	(15,254)	(15,794)
At 31 March 2008	671,382	25,768	44,799	203,608	135,121	1,080,678
Net book value						
At 31 March 2008	11,942,024	243,249	109,294	404,390	260,094	12,959,051
At 31 March 2007	10,724,302	218,392	57,110	391,196	227,109	11,618,109

Included within the net book value of fixed assets is £21,047 (2007 - £35,863) of assets held under hire purchase agreements.

The Company	Freehold land and buildings £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2007	2,558,722	-	7,116	2,565,838
Additions	68,678	18,636	-	87,314
At 31 March 2008	2,627,400	18,636	7,116	2,653,152
Depreciation				
At 1 April 2007	107,528	-	2,447	109,975
Charge for the year	51,635	1,812	1,164	54,611
At 31 March 2008	159,163	1,812	3,611	164,586
Net book value				
At 31 March 2008	2,468,237	16,824	3,505	2,488,566
At 31 March 2007	2,451,194	-	4,669	2,455,863

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

8. INVESTMENTS

The Company

	Shares in subsidiary undertakings £
At 1 April 2007	22,554,896
Additions	1,100,000
Disposals	(260,000)
At 31 March 2008	23,394,895

Subsidiary	Country of registration	Percentage of ordinary shares held
Tracs Limited	England and Wales	100%
Compass Care Limited	England and Wales	100%
Honeybrook House (Kidderminster) Limited	England and Wales	100%
Bethany Lodge (Worcester) Limited	England and Wales	100%

The principal activity of Tracs Limited and Compass Care Limited is the provision of residential care homes.

The trade and net assets/(liabilities) of Honeybrook House (Kidderminster) Limited and Bethany Lodge (Worcester) Limited were hived across to Tracs Limited at their book values on 31 March 2007 and these companies have not traded during the current financial year.

Additions of £1,100,000 relates to additional deferred consideration payable in relation to the acquisition of Honeybrook House (Kidderminster) Limited and Bethany Lodge (Worcester) Limited, following the settlement of a legal case against the group on 29 January 2009 by the former owners of the two companies. The additional deferred consideration is payable in cash as follows:

£500,000 within 14 days of settlement of the case

£300,000 by 30 June 2009

£300,000 by 31 December 2009

Disposals of £260,000 relates to a reduction of deferred consideration payable in relation to the acquisition of Tracs Limited, the agreement of which was settled during the year ended 31 March 2008. Payment of the remaining balance of deferred consideration in relation to this acquisition of £457,819 is due for payment on 31 July 2008.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

9. DEBTORS

	The Group 2008	The Company 2008	The Group 2007	The Company 2007
	£	£	£	£
Amounts falling due within one year				
Trade debtors	559,502	-	274,921	-
Amounts owed by related parties	48,593	5,288	5,752	-
Corporation tax recoverable	107,279	-	1,111,948	1,065,741
Other taxation and social security	20,951	20,951	20,327	20,327
Other debtors	31,191	13,795	18,392	8,467
Prepayments and accrued income	142,512	2,723	125,736	7,963
	910,028	42,757	1,557,076	1,102,498
	£	£	£	£
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	2,859,640	-	7,110,193

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2008	The Company 2008	The Group 2007	The Company 2007
	£	£	£	£
Bank overdrafts	22,410	22,410	-	-
Bank loans	871,262	871,262	723,491	723,491
Obligations under finance lease and hire purchase contracts	6,243	-	14,051	-
Trade creditors	705,792	19,463	198,261	26,927
Corporation tax	262,961	-	977,636	-
Other taxes and social security	184,190	-	222,529	-
Other creditors	47,027	-	32,224	-
Accruals and deferred income	240,850	68,132	369,670	223,769
Deferred consideration	957,819	957,819	-	-
	3,298,554	1,939,086	2,537,862	974,187

£457,819 (2007 - £717,819 payable after more than one year) of the provision for deferred consideration is in respect of the acquisition of the subsidiary undertaking Tracs Limited and is due for payment on 31 July 2008.

£500,000 (2007 - £nil) of the provision for deferred consideration is in respect of the acquisition of the subsidiary undertakings Honeybrook House (Kidderminster) Limited and Bethany Lodge (Worcester) Limited and is due for payment by 19 February 2009.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group 2008 £	The Company 2008 £	The Group 2007 £	The Company 2007 £
Bank loans	32,948,213	32,948,213	28,997,859	28,997,859
Obligations under finance lease and hire purchase contracts	11,878	-	17,689	-
Loan notes	509,824	509,824	4,910,973	4,910,973
Deferred consideration	600,000	600,000	717,819	717,819
	34,069,915	34,058,037	34,644,340	34,626,651

£600,000 (2007 - £nil) of the provision for deferred consideration is in respect of the acquisition of the subsidiary undertakings Honeybrook House (Kidderminster) Limited and Bethany Lodge (Worcester) Limited and is due for payment in two instalments of £300,000 on 30 June 2009 and 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

12. BORROWINGS

	The Group 2008 £	The Company 2008 £	The Group 2007 £	The Company 2007 £
Bank loans and overdrafts	33,841,885	33,841,885	29,721,350	29,721,350
Obligations under finance lease and hire purchase contracts	18,121	-	31,740	-
Loan notes	509,824	509,824	4,910,973	4,910,973
	34,369,830	34,351,709	34,664,063	34,632,323
	£	£	£	£
Due within one year	899,915	893,672	737,542	723,491
Due after more than one year	33,469,915	33,458,037	33,926,521	33,908,832
	34,369,830	34,351,709	34,664,063	34,632,323
	£	£	£	£
Analysis of bank loan and overdraft repayments				
Within one year or on demand	893,672	893,672	723,491	723,491
Between one and two years	956,262	956,262	887,491	887,491
Between two and five years	3,569,786	3,569,786	3,253,474	3,253,474
After more than five years	28,422,165	28,422,165	24,856,894	24,856,894
	33,841,885	33,841,885	29,721,350	29,721,350

Term Loan 'A' is repayable in six-monthly instalments, commencing on 31 March 2007. The rate of interest on Term Loan 'A' is 1.25% per annum above LIBOR.

Term Loan 'B' is repayable in one instalment in November 2015. The rate of interest on Term Loan 'B' is 2.25% per annum above LIBOR.

Term Loan 'C' is repayable in two equal instalments on 31 March 2016 and 30 September 2016. The rate of interest on Term Loan 'C' is 3.25% per annum above LIBOR.

All bank loans and overdrafts are secured by way of charges on the properties held by the group. There is also a floating charge over the assets of the group.

Total bank loans of £6,491,747 (2007 - £nil) are guaranteed by Sovereign Capital Partners LLP. Interest is charged by Sovereign Capital Partners LLP based on 50% of the difference between Sovereign Capital Partners LLP interest rate of 14% and the rate payable to the bank.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

12. BORROWINGS (continued)

	The Group 2008 £	The Company 2008 £	The Group 2007 £	The Company 2007 £
The loan notes are repayable as follows				
Between two and five years	509,824	509,824	-	-
After more than five years	-	-	4,910,973	4,910,973
	509,824	509,824	4,910,973	4,910,973

The loan notes attract interest at 14% payable in quarterly instalments and are due for redemption as follows:

31 March 2011	One third of the loan notes outstanding
31 March 2012	One third of the loan notes outstanding
31 March 2013	One third of the loan notes outstanding

	£	£	£	£
Analysis of hire purchase repayments				
Within one year	6,243	-	14,051	-
Between one and two years	11,878	-	17,689	-
	18,121	-	31,740	-

The hire purchase liabilities are secured over the assets to which they relate.

13. CALLED UP SHARE CAPITAL

The Group and The Company	2008 No	2008 £	2007 No	2007 £
Authorised				
1p 'A' ordinary shares	96,248	963	96,248	963
1p ordinary shares	18,333	183	18,333	183
	114,581	1,146	114,581	1,146
	£	£	£	£
Issued and fully paid				
1p 'A' ordinary shares	96,248	963	96,248	963
1p ordinary shares	18,333	183	18,333	183
	114,581	1,146	114,581	1,146

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

14. STATEMENT OF MOVEMENTS ON RESERVES

The Group	Called up share capital £	Share premium account £	Profit and loss account £	Total 2008 £	Total 2007 £
At 1 April	1,146	315,103	(6,713,083)	(6,396,834)	(3,554,029)
Loss for the financial year	-	-	(1,866,033)	(1,866,033)	(2,857,386)
Shares issued	-	-	-	-	14,581
At 31 March	1,146	315,103	(8,579,116)	(8,262,867)	(6,396,834)
The Company					
At 1 April	1,146	315,103	(2,675,349)	(2,359,100)	(1,001,362)
Loss for the financial year	-	-	(4,852,126)	(4,852,126)	(1,372,319)
Shares issued	-	-	-	-	14,581
At 31 March	1,146	315,103	(7,527,475)	(7,211,226)	(2,359,100)

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	The Group 2008 £	The Company 2008 £	The Group 2007 £	The Company 2007 £
Loss for the financial year	(1,866,033)	(4,852,126)	(2,857,386)	(1,372,319)
Shares issued	-	-	14,581	14,581
Net reduction to shareholders' deficit	(1,866,033)	(4,852,126)	(2,842,805)	(1,357,738)
Opening shareholders' deficit	(6,396,834)	(2,359,100)	(3,554,029)	(1,001,362)
Closing shareholders' deficit	(8,262,867)	(7,211,226)	(6,396,834)	(2,359,100)

16. PROFIT AND LOSS ACCOUNT OF THE COMPANY

Tracscare Group Limited has not presented its own profit and loss account, as permitted by section 230(1)(b) Companies Act 1985. The loss for the financial year recognised in the financial statements is £4,852,126 (2007 - £1,372,319).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	1,602,546	941,250
Amortisation	2,350,698	2,277,841
Depreciation	446,270	381,048
Loss on disposal of tangible fixed assets	6,887	7,160
(Increase)/decrease in debtors	(357,621)	909,793
Increase/(decrease) in creditors	355,175	(1,134,153)
Net cash inflow from operating activities	4,403,955	3,382,939

18. RECONCILIATION OF GROUP NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008 £	2007 £
(Decrease)/increase in cash in the year	(885,372)	1,132,971
Net cash flow from movement in debt	(4,001,012)	(8,695,313)
Changes in net debt resulting from cash flows	(4,886,384)	(7,562,342)
Finance leases acquired with subsidiary	-	(41,315)
Net redemption of loan notes	4,559,566	2,019,790
Issue costs amortised and hire purchase interest	(241,911)	(551,791)
Net debt at beginning of the year	(33,582,007)	(27,446,349)
Net debt at end of the year	(34,150,736)	(33,582,007)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

19. ANALYSIS OF NET DEBT

	At 1 April 2007 £	Cash flow £	Non-cash movement £	At 31 March 2008 £
Cash at bank and in hand	1,082,056	(862,962)	-	219,094
Bank overdraft	-	(22,410)	-	(22,410)
	1,082,056	(885,372)	-	196,684
Debt due within one year	(723,491)	(147,771)	-	(871,262)
Debt due after more than one year	(28,997,859)	(3,869,731)	(80,623)	(32,948,213)
Finance leases	(31,740)	16,490	(2,871)	(18,121)
	(29,753,090)	(4,001,012)	(83,494)	(33,837,596)
Loan notes	(4,910,973)	4,559,566	(158,417)	(509,824)
	(33,582,007)	(326,818)	(241,911)	(34,150,736)

Non-cash movements

Non-cash movements consist of the amortisation of issue costs, calculated in accordance with FRS 4 'Capital instruments', as disclosed in note 4, and hire purchase interest.

20. RELATED PARTY TRANSACTIONS

During the year, the issue/(redemption) of loan notes included amounts subscribed by the following related parties, as set out below:

	2008 Issued £	2008 Redeemed £	2007 Issued £	2007 Redeemed £
Sovereign Capital Partners LLP	1,016,262	(4,337,872)	2,680,073	(4,466,929)
H Hayden (spouse of A Hayden)	13,698	(58,468)	36,124	(60,210)
J Dalli (spouse of D S Dalli)	1,696	(7,240)	4,473	(7,454)
V Owen	-	(5,000)	-	-
I M Williams	-	(5,000)	-	-
S G Hullin	-	(5,000)	-	-
E A Millard	-	(20,000)	-	-
	1,031,656	(4,438,580)	2,720,670	(4,534,593)

Tracscare Group Limited paid £309,272 loan note interest to Sovereign Capital Partners LLP in the financial year (2007 - £1,072,297), and £176,673 loan guarantee interest to Sovereign Capital Partners LLP in the financial year (2007 - £nil).

Tracscare Group Limited paid £55,323 monitoring fees to Sovereign Capital Partners LLP in the financial year (2007 - £52,941).

Group debtors owed by related parties consist of £22,037 (2007 - £5,752) owed by Alkare Limited, £8,990 (2007 - £nil) owed by Positive Lifestyles Limited, and £17,566 (2007 - £nil) owed by Parallel Options Limited, companies with common directors and owners. Group turnover includes management charges of £8,000 (2007 - £nil) received from Alkare Limited and Positive Lifestyles Limited.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

21. FINANCIAL COMMITMENTS

	The Group 2008 £	The Company 2008 £	The Group 2007 £	The Company 2007 £
Contracted for but not provided for	-	-	820,475	-

22. DERIVATIVE FINANCIAL INSTRUMENTS

The group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. A contract is in place to fix the interest on borrowings with a principal value of £23,598,070 which expires in 2009. The fair value of this interest rate swap at 31 March 2008 is estimated to be a liability of £115,629. This amount is based on market values of equivalent instruments at the balance sheet date.

23. OPERATING LEASE COMMITMENTS

At 31 March, the company was committed to making the following payments during the next year in respect of operating leases:

	Land & buildings 2008 £	Land & buildings 2007 £	Plant & equipment 2008 £	Plant & equipment 2007 £
Leases which expire:				
Within one year	-	-	6,443	-
Within one to two years	21,600	21,600	-	6,443
After five years	152,164	148,090	-	-

24. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is funds managed by Sovereign Capital Partners LLP.